



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

**MOLINA HEALTHCARE OF UTAH, INC.**

of

Midvale, Utah

as of

December 31, 2021



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February 17, 2023

Honorable Jonathan T. Pike, Commissioner

Utah Insurance Department

4315 S 2700 W, Suite 2300

Taylorsville, Utah 84129

Commissioner:

Pursuant to your instructions and in compliance with statutory requirements, a coordinated multi-state examination, as of December 31, 2021, has been made of the financial condition and business affairs of:

Molina Healthcare of Utah, Inc.

Midvale, Utah

hereinafter referred to in this report as “the Company” and the following report of examination is respectfully submitted.

## **SCOPE OF EXAMINATION**

### Period Covered by Examination

The last full scope examination of the Company was as of December 31, 2018. This full scope examination of the Company was conducted by representatives of the Utah Insurance Department (“Department”) and covers the period of January 1, 2019, through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. This is a coordinated examination led by representatives of the Ohio Department of Insurance, regulators of the Company’s parent company, Molina Healthcare, Inc. (“MHI”).

### Examination Procedures Employed

We conducted our examination in accordance with the *National Association of Insurance Commissioners Financial Condition Examiners Handbook* (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and

evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements section of this report.

This examination report includes significant findings of fact, as mentioned in Utah Code § 31A-2-204(7)(a) and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant findings for inclusion in this examination report.

## **COMPANY HISTORY**

### **General**

The Company was incorporated under the laws of the state of Utah on May 27, 1994. On May 1, 1996, the Department issued the Company a Certificate of Authority to conduct business as an HMO. The Company is a wholly-owned subsidiary of MHI, a publicly traded company headquartered in Long Beach, California.

The Company provides health care services to persons eligible for Medicaid, Medicare, and other government sponsored programs for low-income individuals and families. In addition, the Company and a number of other subsidiaries within the holding company system serve Health Insurance Exchange members, many of whom are eligible for government premium subsidies.

### **Dividends and Capital Contributions**

The Company did not receive any capital contributions during the examination period.

The Company paid cash dividends to its parent company in the amount of \$48,000,000, and \$27,000,000, for 2021 and 2020, respectively. In 2019, the Company recorded a total of \$25,000,000 in dividends, in which \$8,628,089 was issued in cash, and \$16,371,911 was

recorded as a reduction to paid in surplus. The Department approved each of the dividends before they were issued.

Subsequent to the examination date, the Company paid another \$45,000,000 of cash dividend to MHI (see SUBSEQUENT EVENTS section).

#### Mergers and Acquisitions

The Company was not involved in or affected by any mergers or acquisitions during the examination period. The parent company, MHI, acquired Affinity Health Plan, and Magellan Complete Care, in 2021, and Cigna Texas' Medicaid contracts in 2022.

### **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

#### Directors

The Company's bylaws indicate that there shall be at least three (3) but not more than five (5) directors. The following persons served as directors of the Company as of December 31, 2021:

<b>Name and Location</b>	<b>Title and Principal Occupation</b>
Brandon S. Hendrickson Lehi, UT	President Molina Healthcare of Utah, Inc.
Dora W. Wilson* Isle of Palms, SC	President Molina Healthcare of South Carolina, Inc.
John H. Kotal Sacramento, CA	Vice President Vendor Management Molina Healthcare, Inc.

\* The Company listed only two directors on its 2020 Annual Statements, which is not in compliance with its bylaws' minimum requirement of at least three directors. The issue was corrected when the Company appointed Dora W. Wilson as Peter G. Adler's replacement in 2021.

#### Officers

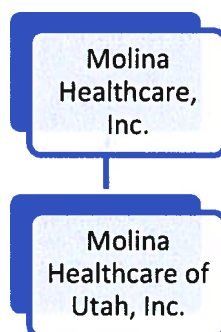
The Company's bylaws require three (3) or more officers that are natural persons. The officers of the Company as of December 31, 2021 were as follows:

<b>Name</b>	<b>Title</b>
Brandon S. Hendrickson	President
Alexander NMN Gantman*	Chief Financial Officer
Jeffrey D. Barlow	Secretary

\*Alexander NMN Gantman replaced James W. Waters in 2021.

### Holding Company

The Company is part of a holding company system as defined in Utah Code §31A-16. The Company is wholly owned and controlled by MHI. The following organizational chart only reflects the direct ownership of the Company:



### **TRANSACTIONS AND AGREEMENTS WITH AFFILIATES**

The Company entered into a Second Amended and Restated Services Agreement with MHI, under which the following amounts were paid to MHI during the examination period:

2019	2020	2021
\$34,398,640	\$48,632,806	\$63,246,163

The Company is also a party to a Federal Tax Sharing Agreement with MHI effective January 1, 2000, and amended on January 1, 2011.

### **TERRITORY AND PLAN OF OPERATION**

The Company is licensed as an HMO in Utah and Idaho and is a managed care organization that arranges for the delivery of healthcare services to persons eligible for Medicaid, Medicare, the state insurance marketplaces, and other government sponsored healthcare programs for low income families and individuals such as Children's Health Insurance Program. As of December 31, 2021, the Company had approximately 140,600 members, and approximately 31% of the Company's premiums were written in Idaho and 69% were written in Utah. There have been no new products introduced during this examination period.

## REINSURANCE

### Assumed Reinsurance

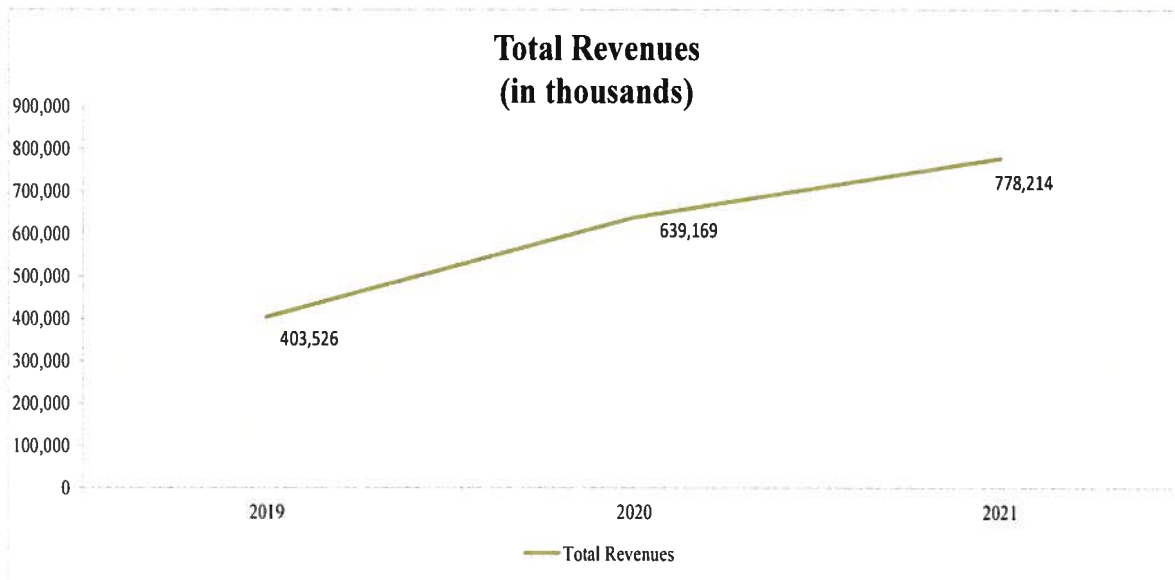
The Company did not have any assumed reinsurance during this examination period.

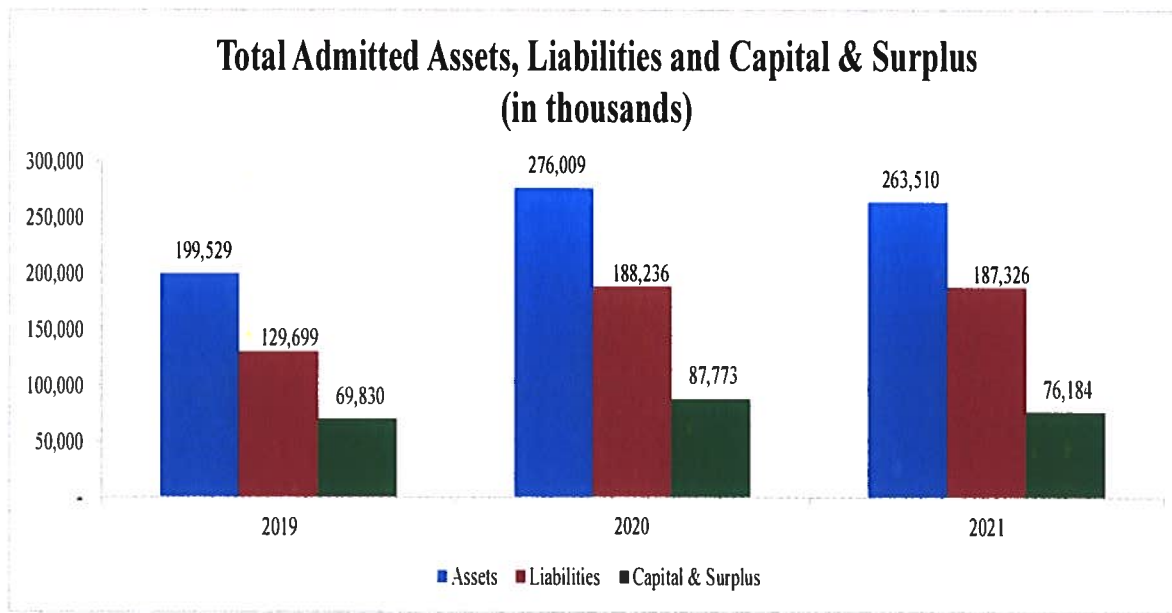
### Ceded Reinsurance

The Company entered into an excess of loss reinsurance arrangement with an authorized non-affiliate reinsurer, Odyssey Reinsurance, in 2019. In 2020, the Company also ceded to an affiliated captive reinsurer, Oceangate Reinsurance, Inc. The reinsurance agreement with Odyssey Reinsurance was terminated on December 31, 2020. The Company also terminated its reinsurance arrangement with Oceangate Reinsurance, Inc. as of December 31, 2022 (see SUBSEQUENT EVENTS section).

## GROWTH OF COMPANY

The Company's total revenues, total admitted assets, liabilities, and capital & surplus steadily increased for all years under this examination period as illustrated by the graphs below:





## FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying COMMENTS ON FINANCIAL STATEMENTS reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.



MOLINA HEALTHCARE OF UTAH INC.

BALANCE SHEET  
as of December 31, 2021

ASSETS

	Net Admitted Assets
Bonds	\$ 102,605,962
Cash and cash equivalents	121,902,166
Investment income due & accrued	462,040
Uncollected premiums in course of collection	9,233,556
Accrued retrospective premiums	6,346,972
Reinsurance: Amounts recoverable from reinsurers	633,358
Amounts receivable relating to uninsured plans	50,815
Current federal and foreign income tax recoverable and interest thereon	929,354
Net deferred tax asset	6,274,507
Healthcare and other amounts receivable	15,071,125
Total Assets	<u>\$ 263,509,855</u>

LIABILITIES, CAPITAL AND SURPLUS

	Current Year
Claims unpaid	\$ 90,203,702
Accrued medical incentive pool and bonus amounts	1,439,023
Unpaid claims adjustment expenses	767,386
Aggregate health policy reserves	39,086,943
Premiums received in advance	35,895,911
General expenses due or accrued	4,926,977
Amounts due to parent, subsidiaries and affiliates	3,529,740
Liability for amounts held under uninsured plans	7,266,854
Aggregate write-ins for other liabilities	4,209,367
Total Liabilities	<u>\$ 187,325,903</u>
Common capital stock	1,000,000
Gross paid in and contributed surplus	52,526,673
Unassigned funds	22,657,279
Total Capital and Surplus	<u>76,183,952</u>
Total Liabilities, Capital and Surplus	<u>\$ 263,509,855</u>

MOLINA HEALTHCARE OF UTAH INC.  
STATEMENT OF REVENUE AND EXPENSES  
for the Year Ended December 31, 2021

REVENUES

Member Months	1,590,870
Premium income	\$ 782,885,807
Change in unearned premium reserves	(4,671,708)
Total Revenues	<u>778,214,099</u>

EXPENSES

Hospital/medical benefits	475,012,586
Other professional services	6,747,703
Outside referrals	19,887,448
Emergency room and out of area	70,382,718
Prescription drugs	54,663,102
Incentive pool, withhold adjustments and bonus	(1,194,439)
Subtotal:	<u>625,499,118</u>
Less Net reinsurance recoveries	1,101,511
Total hospital and medical expenses	<u>624,397,607</u>
Claims adjustment expenses	29,119,987
General administrative expenses	73,892,474
Total underwriting deductions	<u>727,410,068</u>
Net underwriting gain (loss)	50,804,031
Net investment income earned	1,577,149
Net realized capital gains (losses)	154,674
Net investment gain (loss)	1,731,823
Aggregate write-ins for other income or expenses	(25,347)
Net income (loss) after capital gains tax	<u>52,510,507</u>
Federal and foreign income taxes incurred	11,391,814
NET INCOME	<u><u>\$ 41,118,693</u></u>

MOLINA HEALTHCARE OF UTAH INC.  
RECONCILIATION OF CAPITAL AND SURPLUS  
2019 through 2021

	2019	2020	2021
Capital and surplus, December 31, prior year	\$70,149,425	\$69,829,798	\$ 87,772,970
Net income (loss)	25,926,404	47,553,852	41,118,693
Change in net unrealized capital gains (losses)	0	(6,313)	6,313
Change in net deferred income tax	943,467	1,543,593	1,774,081
Change in non-admitted assets	(2,189,498)	(4,147,960)	(6,488,107)
Surplus adjustments: Paid in	(16,371,911)	0	0
Dividends to stockholders	(8,628,089)	(27,000,000)	(48,000,000)
Net change in capital and surplus for the year	(319,627)	17,943,172	(11,589,020)
Capital and surplus, December 31, current year	\$69,829,798	\$87,772,970	\$ 76,183,950

## **ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS**

There were no adjustments made to surplus as of December 31, 2021 as a result of this examination.

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

There are no comments on financial statement items as of December 31, 2021 as a result of this examination.

## **SUBSEQUENT EVENTS**

1. As of December 31, 2022, the Company terminated its reinsurance arrangement with Oceangate Reinsurance, Inc., due to the reinsurer discontinued its operation.
2. On January 13, 2022, the Board approved the Third Amended and Restated Services Agreement, dated February 13, 2022, with MHI. The Department approved the amended agreement on March 7, 2022.
3. On November 17, 2022, the Board approved the \$45,000,000 dividend to MHI, which the Department approved on December 14, 2022.

## **ACKNOWLEDGEMENT**

Cambria Shore, MSA, APIR, CFE, Examination Supervisor, Utah Insurance Department, supervised the examination. She joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers and representatives of the Company.

Respectfully submitted,

*Malis Rasmussen*

Malis Rasmussen, MSA, CFE, SPIR

Chief Financial Examiner

Utah Insurance Department